

**MSHDA Office of Community Development
Suggested Site Amenities for ADR Projects
April 2002**

MSHDA's Office of Community Development (CD) funds the acquisition, development and resale (ADR) of residential structures and/or vacant land in neighborhoods where existing market demand makes such projects feasible within reasonable subsidy limits. Subsidies are typically used by CD grantees either: (a) to increase the number of units available in the local market where affordable units are scarce, or (b) to create quality units to stimulate demand in markets where housing values are too low to sustain reinvestment. The goals of these two types of projects are different, and require that quality and cost reasonableness be balanced in the local market context. To assist our local partners in planning projects, we are providing some important considerations that are generally applicable to ADR projects. These considerations fall into three groups:

- **CD'S DESIRED OUTCOMES FOR THE ADR MODEL**
- **BALANCING AMENITIES WITH REASONABLE PROJECT COSTS**
- **APPROPRIATE SITE AMENITIES FOR ADR PROJECTS**

CD'S DESIRED OUTCOMES FOR THE ADR MODEL

1. **CD projects result in housing units and buyers/new residents that are an asset to the neighborhood.** CD units should not have to be excused as being "low-income housing" or "affordable housing." These efforts are further supported when grantees take steps to assure that new residents are fully integrated into the existing community (welcoming by neighborhood association, homeowner education, etc.).
2. **Projects have sufficient amenities to be marketable and to support neighborhood revitalization objectives.** Where projects are undertaken in neighborhoods with dubious marketability, the neighborhood may need to rely on MSHDA projects to set a new standard by being a "billboard" for the neighborhood, encouraging breakthrough investments by other property owners and buyers. This outcome is promoted with the addition of a sufficient number of housing units with marketability equal or superior to other neighborhood houses in comparable condition. Projects should, by their design and character, motivate other property owners and prospective owners to invest in the neighborhood.

BALANCING AMENITIES WITH REASONABLE PROJECT COSTS

CD recognizes that there are often trade-offs between creating amenities for homebuyers and controlling project costs. Keep in mind the following guidelines:

1. **Completed projects should be feasible within CD's subsidy limits.** Market-rate housing (i.e., housing developed without CD or other subsidy support) requires a high degree of correlation among:
 - total project cost (acquisition, construction, development cost);
 - market value; and
 - affordable sale price.

Site Amenities

Page 2 of 4

However, CD provides two major types of subsidies to obtain feasibility in dysfunctional local markets:

- development subsidies (reasonable costs up to a *total subsidy* of \$60,000/unit) to pay construction costs which exceed market value; and
- homebuyer subsidies (reasonable assistance up to \$20,000 of the total subsidy) to help households buy properties with market values, which are not affordable to them.¹

Generally, projects that can be completed within these limits are considered "feasible."²

2. **Improving amenities often requires increasing the subsidy amounts on a given project.** Amenities result in higher project costs, and higher costs result in higher subsidies. CD's intent is for grantees to achieve a "reasonable balance" between the level of amenities and the project cost. Grantees should not assume that projects should be done for the lowest possible subsidy amount.

APPROPRIATE SITE AMENITIES FOR ADR PROJECTS

So, what does this "reasonable balance" between amenities and cost look like on a typical project? Consider the following guidelines to be applied to the extent possible within subsidy limits:

1. **CD projects provide reasonable storage for a vehicle and other personal property not kept in the dwelling unit.** If other units in the neighborhood have garages, new construction ADR units should have garages.³ If a garage is not possible or appropriate because of specific site limitations, cars should be stored in a manner consistent with other residences in the neighborhood. Attractive and permanent enclosed storage (e.g., other than metal sheds) should be provided for bicycles, lawn mowers and other lawn tools.
2. **CD projects include reasonable landscaping.** Appropriate landscaping contributes to the property and the neighborhood. Landscaping should be hardy and low-maintenance. The grantee should assure owner involvement in the installation of landscaping, provide adequate follow-up, homeowner training, and if necessary tools (garden hose, lawn sprinkler, etc.) to assure the establishment of the lawn and any planting.

¹Generally, large development subsidies and large homebuyer subsidies are not required on the same property. Where large development subsidies are required, property tends to be affordable for eligible families, and vice versa. As a result, the total subsidy is also limited to \$60,000/unit.

²Sometimes exceptions are made to these limits for specific local markets. These exceptions should be justified by pressing local needs and substantial gain (i.e., impacts) resulting from the project.

³In-fill new construction may benefit from garages even if existing homes in the neighborhood do not have them, because of outcome #2 above. However, garages are not typically included in ADR rehab. ADR rehab presumes that the grantee is starting with housing stock that was compatible with the neighborhood; if it doesn't have a garage, it is usually because garages are not typical in the neighborhood. In this case, adding a garage is not necessary, and may be unreasonably expensive because of other site conditions.

3. **Basements should often be included in CD projects.** Depending on the site and local market expectations, a basement is usually a good investment. A basement provides cost-effective storage space and creates additional living space both immediately (by providing a space for utilities) and in the future (possible finished space). Inclusion of an egress window (typically having an opening of at least 9 square feet) at the time of construction may be a cost-effective way to permit the future creation of flexible living space in the lower level.
4. **Substantial savings are gained by building on small lots.** Savings in new construction can be gained by building on the smallest lots compatible with neighboring properties, consistent with local zoning, and allowing reasonable flexibility for site planning. A small lot reduces infrastructure costs developing the property and reduces maintenance time and cost for the eventual owner. However, depending on the design of the home, the lot size may need to be large enough to accommodate a future room addition.
5. **Smaller homes with high-quality construction are preferable to large homes with lower-quality construction.** Smaller homes fit well on smaller lots and if well-built, are very economical to heat and cool. New construction should at least meet BOCA code and the Model Energy Code; grantees may consider cost-effective measures that exceed minimum quality standards. Generally, new construction homes should be no smaller than 800 sq. ft.; 3 BR units should be 1200-1350 sq. ft.; 4 BR homes should be 1350-1450 sq. ft. Grantees should consider designs that can be economically expanded; where lots are too small to permit future construction of an addition, provision for growing families should be made through flexible basement space or an unfinished upstairs.
6. **CD projects build a sense of community by promoting interaction among neighbors.** ADR rehabilitation and new construction should always be undertaken in a built neighborhood environment. In new construction, this means incorporating design elements (examples include open front porches and/or detached garages), infrastructure improvements (such as sidewalks), and landscaping (such as street trees), to create pleasant outdoor space where pedestrians feel comfortable interacting; new construction units should be connected to existing housing by inviting sidewalks. New residents (the buyers of the project) should be oriented to the neighborhood (block club, neighborhood association, Neighborhood Watch, etc.) to encourage their participation in the overall management of the neighborhood. "Neighborliness" should be modeled and encouraged.

7. **CD projects are supported by adequate public services.** Local governments benefit substantially from CD projects through increased homeownership and local tax revenue. Local governments should be willing to support CD projects through (1) the availability of public sewer and water, (2) controlling blight in neighboring properties through zoning and code enforcement (3) assuring that neighborhood traffic is of reasonable volume and speed, and separated from pedestrians by curbs, trees and/or parked cars and (4) assuring adequate public services such as police, schools, etc. If these kinds of amenities are inconsistent with surrounding neighborhoods, then the grantee should consider carefully whether there are other neighborhoods where the investment of public subsidies is more cost-effective and/or may achieve a greater impact.